GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3139
ANSWERED ON:22.03.2002
LOSS DUE TO PROHIBITION
RENUKA CHOWDHURY;SUSHIL KUMAR SAMBHAJIRAO SHINDE

Will the Minister of FINANCE be pleased to state:

(a) whether Government of Gujarat has demanded compensation for the losses suffered by it with the imposition of prohibition;

(b) if so, the precise demand and claim made by the State Government; and

(c) the Union Government`s decision therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) and (b): Government of Gujarat has been making representations before successive Finance Commissions for assistance in lieu of loss of tax revenue due to prohibition policy. In its representation to the Eleventh Finance Commission (EFC), it was stated that Gujarat was the only State in the country which continued to enforce total prohibition regardless of the financial implications. According to the State Government, the loss of revenue for Gujarat for 1997-98 was estimated to be Rs. 854 crores. The State Government represented to EFC that it was necessary to give recognition to State`s efforts in enforcing prohibition.

(c): The Eleventh Finance Commission, keeping in view their holistic assessment of the resources andrequirements of the Centre and the States and keeping in view the need for horizontal and vertical equity, have not recommended any specific compensation to any State (including that of Gujarat) for loss of revenue suffered by them due to the policy of prohibition being followed by them. The Government of India has since accepted the recommendations of the Eleventh Finance Commission relating to devolution of Central Taxes and Duties and quantum of grants-in-aid to States.